

Central Intelligence Agency



Washington, D.C. 20505

84 file ②
Sourced
25X1

DIRECTORATE OF INTELLIGENCE

11 January 1985

State Dept. review completed

North Korea: Moving in New Directions
or Reworking Old Tactics?

25X1

Summary

North Korea in 1983 and 1984 undertook important diplomatic and economic initiatives that together suggest real changes may be under way in P'yongyang's goals and behavior. Against a backdrop of major domestic problems, including an unprecedented family succession scheme and an economy running a distant second to that of South Korea, Kim Il-song has launched an array of moves that affect P'yongyang's relations with Seoul, Beijing, and Moscow as well as its hopes for contacts with Washington.

25X1

The North's fierce independence, its radical policy swings in the past, and its continued high military investment are good evidence that P'yongyang is simply running harder at home and abroad in pursuit of its longstanding objectives. But our examination of both recent activity and the assumptions that we have long used to explain North Korean behavior suggests that such a judgment may underestimate the potential for change in P'yongyang. Indeed, we may be entering a period of reorientation in North Korea's priorities when:

This paper was prepared by the Northeast Asia Division and China Division of the Office of East Asian Analysis and by the Office of Soviet Analysis. Comments and queries may be directed to the Chief, Northeast Asia Division

25X1

25X1

EA M

85-10005

25X1

- The North concentrates on succession and its domestic economic needs, effectively assigning the goal of reunification a lower priority than the task of getting its own house in order.
- The North, concerned about the deterioration of its strategic position vis a vis Seoul, Beijing, and Moscow, adopts more pragmatic policies in order to break through to establish contacts with the United States.

25X1

Few North Korea watchers at this stage are prepared to venture beyond the judgment that P'yongyang may be entertaining a moderate realignment of its priorities. Even so, recent events hold out the prospect that P'yongyang may indeed be redefining, not just readjusting, its goals and that the process will give reunification, and the threat this represents to Northeast Asia's stability, less prominence. If this is occurring, it could provide Washington with opportunities to encourage P'yongyang to reduce tensions on the peninsula and to test Beijing's willingness to reinforce more moderate North Korean behavior.

25X1

Background

Over the past few years, North Korea has taken steps that collectively suggest a potential for change in its policy and behavior:

- Offers in 1983 and 1984 to talk with the United States and South Korea and the recent reinitiation of bilateral talks with Seoul.
- A somewhat cooler public treatment of its normally close relations with China at a time when Beijing was brokering P'yongyang's bids for talks with Washington and Seoul.
- Kim Il-song's decision to improve relations with the Soviet Union, culminating in his trip to Moscow in mid-1984.
- New solicitations for expanded economic ties with and investment from the West.

25X1

For North Korea, a number of issues have reached turning points, some within the past year. We believe that the North's more activist foreign policy has been shaped by the evolution of these issues:

25X1

- North Korea is approaching its first political transition, a process unique and difficult to predict because of Kim's familial succession scheme.
- Economic difficulties, long aggravated by the North's military buildup, are more pressing, while the South is increasingly viewed abroad -- and, we believe, in P'yongyang -- as surging ahead.
- The North's ability to compete with the South for international recognition and prestige has continued to decline.
- US-South Korean relations have improved, lessening strains that worked in P'yongyang's favor.
- China's improved relations with the United States, Japan, and the West, its quickening pace of economic liberalization, and an added flexibility in Sino-Soviet ties all have reshaped North Korea's environment.

25X1

This paper examines how P'yongyang has dealt with this complex mix of trends and events

25X1

25X1

This approach is designed to suggest some alternative explanations for recent developments. In the process it also demonstrates the unique difficulty of the North Korean intelligence problem.

25X1

25X1

25X1

We seek to puzzle out motives and intentions from North Korean media behavior, often relying heavily on interpreting the chronological record of North Korean actions, and speculate from there.

25X1

25X1

recent Chinese willingness to discuss Korea with US officials has not dramatically improved our knowledge. It is difficult to sort out intelligence data in these discussions from Chinese attempts to mold official US opinion.

25X1

The Dominant View

The judgment that has underpinned our analysis of North Korean policy and behavior, including P'yongyang's latest initiative to open talks with the United States and South Korea, holds that the North's priority is reunification of the peninsula on its own terms. P'yongyang seeks to advance this objective by maintaining the military capability to capitalize on domestic instability in the South or fissures in the US-South Korean security relationship. P'yongyang has intermittently sought to create such opportunities -- as with the October 1983 assassination attempt in Rangoon -- even while it has pursued diplomatic and other political tacks. 25X1

At the same time, the North believes it can serve its most immediate goal -- namely, ending the US presence in the South -- through diplomacy, public pressures, and the good offices of its allies. In this regard, P'yongyang's objectives are twofold: to open contacts with the United States to end its diplomatic isolation and to press for the withdrawal of US military forces from South Korea. North Korea may also hope that such contacts, over time, will give it access to equipment and technology, as well as improve its image in the West as a legitimate alternative to the South. 25X1

In arriving at this view we have made basic assumptions and judgments about (1) the domestic political scene, in particular the influence of the succession in North Korea; (2) the pressures generated on P'yongyang by its economic problems; (3) the longstanding priority accorded to self-reliance in North Korean diplomacy and security policy; and (4) the changing roles and interests of the Soviet Union and China. Should these assumptions be off the mark, we may have to reassess our judgments about North Korean priorities and tactics. 25X1

The Succession

The succession is playing a larger role in North Korean policymaking as Kim Il-song, now 72, moves ahead with his ten-year campaign to groom his son Kim Chong-il as replacement. 25X1

P'yongyang has identified the younger Kim as his father's only successor. Kim Chong-il has assumed a higher profile in domestic affairs, especially the direction of the economy. And we believe he may take over one of his father's two main roles, i.e., as head of the party or as chief of state when the next party congress is held, probably sometime in 1986. 25X1

We 25X1

25X1
have been unable to determine whether the tensions normally generated by such transitions in other countries are being replayed in North

25X1

25X1

Korea.

the greater attention to Kim Chong-il coincides with the North's obvious efforts to reopen a dialogue with the South, to break new ground in contacts with the US and to attract outside capital and technology, suggesting that Kim Il-song wants progress in these areas as he passes leadership to his son.

25X1

25X1

25X1

Some analysts would go further, maintaining that the succession is the critical determinant in the timing of Kim's recent initiatives. If they are correct and we are underestimating the impact of the succession, we also may be underestimating the internal pressures associated with it. We can only speculate, but it is possible that the North Korean elite may be generally resisting continuation of the extreme "cult of personality" that has been developed by Kim Il-song. Given the history of the post-Stalin transition in the USSR and the post-Mao transition in China, Kim Il-song may be taking steps to forestall a wholesale dismantlement of his legacy.

Kim may also see his legacy served by making his son's passage a little easier. Thus he may sense in this transition period the need to engineer the kind of actions -- realigning his position between Moscow and Beijing and breaking out of his isolation -- that his successor might find more difficult, if not impossible, to initiate. It is valid to ask -- but impossible to answer -- whether the military believes that a dialogue with Seoul might undercut its institutional interest. Indeed, some members of the power structure may already be attempting to head off such changes. For example, media threats against North-South talks following the November 1984 defection of a Soviet embassy interpreter at Panmunjom could reflect discontent within the military leadership or maneuvering by other hardline elements.

25X1

25X1

The succession could also be forcing a crisis mentality elsewhere. Technocrats, another key constituency, might be rebelling against the prospect of facing several more decades of failed economic policies. Kim Chong-il's close association with media calls for worker incentives and greater attention to consumerism indicates to us that P'yongyang is already aware of the need to articulate more popular economic policies.

25X1

Despite Kim Il-song's obsession with steering an independent policy course over the years, P'yongyang has been sensitive to foreign reactions to the succession scenario. The Chinese have been more tolerant than the Soviets of this unprecedented family succession in a communist country; Beijing implicitly recognized Kim Chong-il's special status during his visit in 1983.

We believe that Moscow's more negative attitude toward the succession may well have contributed to Kim Il-song's prolonged failure to visit the Soviet Union. Neither side mentioned the

25X1

25X1

issue publicly when Kim visited Moscow in May 1984, but the Soviets have since made several gestures that lend the younger Kim a measure of recognition. Should Kim Chong-il visit Moscow in 1985 as rumored, it would confer a clear stamp of Soviet approval. [redacted]

25X1

We cannot quantify the weight of succession politics in the North's behavior. But it clearly should play an important role in any assessment of P'yongyang's policies today. If the elder Kim has serious concerns about his son's staying power, he may consider Chinese and Soviet support for the succession to be so important that he would make policy adjustments in exchange for Beijing's and Moscow's backing. This will be a key analytical concern as the transfer of power draws nearer. [redacted]

25X1

The Problems with the Economy

We have long held that economic difficulties have a prominent place in shaping Kim's agenda. We do not have [redacted] the analytical tools to measure precisely whether the North's economy is in worse shape than it was five or ten years ago. But we do know that economic problems appeared more pressing as P'yongyang wound down its most recent seven-year economic plan (1978-84) considerably short of its goals. Bedeviled by major shortages of coal, electric power, and transport, factories are being shut down for considerable periods. Many construction projects are far behind schedule, and in some cases only a fraction of export commitments are being honored. And, perhaps most important, these conditions stand in stark contrast to the health and solid growth prospects of South Korea's economy. [redacted]

25X1

25X1

As part of the preparations for the next economic plan, which we believe will begin on a delayed basis in 1986, the North Korean leadership has been soliciting new commitments of economic support from the Soviet Union and China. [redacted]

25X1

25X1

[redacted] the dominant view has judged that Kim is sticking with his old tactics -- i.e., seeking only critical missing technological and material inputs for the economy but not fundamentally changing his autarkic economic policies. [redacted]

25X1

25X1

Here too, however, we need to keep an open mind, especially in light of recent circumstantial evidence that China's economic reforms have had an impact on the North. We have been struck by

the increasing number of high-level economic delegations to China, of which at least 10 over the past year visited the showcase zone of Shenzhen. P'yongyang's joint-venture law, promulgated in September 1984 shortly after Premier Kang Song-san returned from a trip to China, follows the Chinese model closely. The Chinese also have lobbied foreign visitors to invest in North Korea. [redacted]

At a minimum, most analysts would probably be cautious about giving too much weight to the apparent North Korean interest in the Chinese reforms. [redacted]

This view is supported by past swings in the North's economic policies, such as its buying spree -- and subsequent plunge into debt with European and Japanese creditors -- in the early 1970s, when P'yongyang opened its doors to foreign trade. How far P'yongyang can go today also is a matter of real debate. One view holds that the North is years, if not decades, away from the kind of extensive and pragmatic political reforms that have underpinned Beijing's current modernization program. [redacted]

But if the North wants to adopt its own version of China's special economic zones -- essentially, a few enclaves to attract foreign technology and capital but to quarantine other unwanted influences -- some analysts would argue innovation is possible without threatening Kim's system. Another, more open-ended perspective, would suggest that some forces in the leadership could be pressing for substantial revision of economic policies. If this is the case, the outcome of the succession -- that is, whether it installs a Kim Chong-il wedded to his father's policies -- might determine their success. [redacted]

P'yongyang may be ready to overhaul its economic system. [redacted]

P'yongyang's Perceptions of Security

The more activist North Korean foreign policy, especially toward the United States and South Korea, ranges from the Rangoon bombing aimed at assassinating top South Korean leaders in October 1983 to the nearly simultaneous floating via Beijing of a

tripartite proposal for talks with the United States and South Korea, and finally the beginnings of a direct dialogue with the South. All of these elements have precedents and parallels. The North, for example, began both tunneling under the Demilitarized Zone and its rapid military buildup at the same time it entered the North-South dialogue in the early 1970s. Even today, the peaceful thrust of the tripartite proposal contrasts with the continuing reorganization of North Korea's active and reserve forces, underway since 1981, which increases P'yongyang's ability to project military power on the ground. [redacted]

25X1

The North has shown considerable tactical flexibility in the past, and most analysts believe that current tactics do not reflect any fundamental change. [redacted]

25X1

Kim has consistently sought to circumscribe the influence of outside powers and, even at great cost to the economy, to maximize North Korea's independence and freedom of action. [redacted]

25X1

By moving ahead on the dialogue with Seoul, P'yongyang indeed appears to want to regain some initiative at a time when most of the economic and political cards are being dealt Seoul's way. The fear that great power interest in Korea, unless carefully orchestrated and controlled, also could move events beyond P'yongyang's control still seems too strong to downplay in North Korean behavior. [redacted]

25X1

So, too, in our view, are other risks to Kim of an expanded great power involvement in the Korean question. These include for the North the unpredictable aspects of closer US-China cooperation that might lead Beijing to move in ways contrary to North Korean interests. For example, the North Koreans already have demonstrated their uneasiness with Chinese and Soviet contacts with Seoul, which they no doubt fear as the first steps toward a more formal recognition of the existence of two Koreas. [redacted]

25X1

These concerns argue that Kim's diplomacy will seek to keep China's role in the Korean issue restricted to serving as middleman for North Korean contacts with the US and South Korea. [redacted]

25X1

In our judgment, this analytical perspective also helps explain the North's recent attention to the Soviets. The new flexibility in Sino-Soviet relations has given P'yongyang latitude to alter its behavior toward two Communist allies. The

North Korean improvement in relations with Moscow helps P'yongyang demonstrate that it is not dependent on, or fettered by, its Chinese connections. [redacted]

25X1

P'yongyang's shifting, indeed contradictory, tone and initiatives in 1983-84 have led us to conclude that the North Koreans are casting about for new approaches to their dilemma. [redacted]

25X1

One clear theme is the effort to refocus US attention on the peninsula. The North's behavior, especially over the last several months, could be viewed as a prompt and direct response to the recently stated US requirements for the initiation of North-South contacts before any broader discussions can be considered. In the year since the North first revealed the elements of its tripartite proposal, P'yongyang has responded to specific US objections by indicating it's flexible on the sequence of the agenda for talks and by suggesting that it recognizes US troop withdrawals cannot occur overnight. P'yongyang views its dialogue with Seoul as directly responsive to US concerns; P'yongyang's letter to Secretary Shultz in early December said as much. [redacted]

25X1

It seems to us that by 1983 P'yongyang must have concluded that its efforts to engage the United States were getting nowhere. And whenever the decision was made to attract US attention once again -- and it appears to have entered the North's policy deliberations at approximately the same time as the Rangoon bombing because it was transmitted almost simultaneously -- P'yongyang must have realized that US policy was unlikely to change without the introduction of some new elements. Thus it indicated willingness to allow another power -- China -- to be introduced directly into the Korean diplomatic equation on its behalf. [redacted]

25X1

Soviet Calculations

The Soviet-North Korean relationship continues to be marked by mutual dislike and suspicion, and Moscow needs few reminders of Kim's desire to preserve his independence of action. [redacted]

25X1

Moscow probably calculates that it can do little to influence events on the peninsula, despite the presence of Soviet economic and military technicians in the North. [redacted]

25X1

Moscow's continuing caution in expanding ties with P'yongyang will circumscribe Kim's ability to maneuver. In our view, Moscow's caution reflects its doubts about Kim Il-song's reliability as an ally, its concern about being drawn into a military conflict with the United States on the peninsula, and continuing dissatisfaction with P'yongyang's failure to move as

25X1

far as the Soviets would like from its pro-Beijing stance on international issues. We believe it has also reflected a Soviet assessment that a close relationship with P'yongyang is not vital enough to Moscow's political or security concerns in Asia to warrant paying a substantial price in military or economic aid.

25X1

Most analysts have judged that the Soviets regard their Korean relationship primarily as a means to limit the influence of the United States and its Asian allies, to contain China, and to impede Sino-US cooperation on political and security issues.

25X1

The Soviets provide the lion's share of foreign economic assistance. Moscow, however, apparently remains more concerned with guaranteeing North Korean repayment of previous assistance than with providing sufficient aid to acquire political leverage.

25X1

while the Soviets almost certainly will continue to aid the North Korean economy, they are still holding back on major new project assistance and on guarantees of increased oil deliveries at preferential prices.

25X1

Moscow also has been reluctant to offer the types of military assistance that might bring them more political leverage in P'yongyang.

25X1

25X1

In October the two sides did sign a military agreement.

25X1

If Moscow assigns greater weight to acquiring influence in North Korea than we now believe to be the case, Kim's options would obviously increase. Events in 1983, in fact, from leadership changes in Moscow to the KAL shootdown that set back Moscow's stock throughout Asia, may have enhanced Moscow's interest in closer political ties with North Korea. Responding to apparent North Korean willingness to strike a more balanced stand between Beijing and Moscow, the Soviets have made a series of gestures to improve the climate. A birthday present for Kim Il-song, the red carpet treatment for him during his late May visit, and new gestures toward heir-apparent Kim Chong-il highlighted their offerings.

25X1

25X1

25X1

In any event, Moscow will still look for some prerequisites to increased economic and military assistance, including:

- Firm evidence that the North Korean leadership is putting more distance between itself and Beijing.
- A North Korean commitment to involve Moscow in some aspect of talks on the peninsula's future. 25X1
- And, under the best of circumstances, North Korean agreement to Soviet military use of port facilities and airfields.

We believe that Moscow wants to participate in any talks on the peninsula, although to date the North has shown no inclination to involve the Soviets as direct or indirect participants. But if Soviet concern about being the diplomatic odd-man-out is deeper than we suspect, Moscow could make more generous offerings to head off perceived threats to its role in the region. A North Korean suggestion that it planned to include China but not the USSR in talks on the peninsula's future could precipitate that kind of concern. A sustained North Korean move supported by China to open up economically to the West, could also loosen Soviet purse strings. 25X1

. . . And Beijing's Interests

China's primary objective in Korea in our view, is the promotion of stability on the peninsula and the mitigation of Soviet influence in Northeast Asia. We believe that the Chinese want to reduce the potential for hostilities between the North and South, which could draw them into conflict with the United States, and that they seek an understanding with the US and Japan to lessen tensions on the peninsula. 25X1

The Rangoon episode is only the latest, albeit the most embarrassing, reminder to Chinese leaders of Kim Il-song's erratic and often dangerous behavior. In our view, China's immediate objectives are to convince the North to engage in a dialogue with the South and, in turn, to engage the United States in this process. In so doing, China may well be trying to satisfy North Korean demands by seeking to demonstrate that it can deliver the US to the table. 25X1

We believe that the prospects for change in China's relations with North Korea are even harder to sort out than those in the Soviet-North Korean tie. Chinese leaders admit they have little leverage in P'yongyang. They often assert they must handle even perfunctory issues circumspectly, despite their provision of significant amounts of economic and military aid. Chinese officials have told US diplomats, for instance, that North Korea did not inform China of its September 1984 flood relief proposals in advance. Chinese knowledge of critical aspects of North Korean affairs also appears limited. 25X1

[redacted] Over the past year, North Korean and Chinese media have also reflected some signs of strain. [redacted]

25X1

25X1

25X1

China nevertheless insinuates that it has some influence over North Korean behavior on highly sensitive issues. China has brokered North Korean proposals to the United States for tripartite talks, and Chinese officials have said that they have privately urged North Korea to be realistic about the South and the US troop presence in formulating its tactics on these issues. [redacted]

25X1

25X1

Chinese leaders have assiduously courted North Korean economic planners over the past two years, stressing the positive results of their open door policy. [redacted]

25X1

Essentially, the dominant view could lead one to conclude that China is taking advantage of the North's political needs and economic difficulties to encourage foreign and domestic policies in P'yongyang similar to those in Beijing. Nonetheless, the contrast in China's implied claims of leverage and its past suggestions of more limited access to and influence in P'yongyang should moderate our confidence in Chinese good offices. [redacted]

Implications

25X1

North Korea's reading of its challenges, and its more sophisticated and dynamic foreign policy of the past year, could take it in any of several directions:

- **No change in goals, more of the same tactics, but with some nuances in behavior toward the United States.** This forecast essentially reflects the majority view and judges that, overall, North Korea is simply running harder to stay in the same place. It also assumes that P'yongyang will put a premium on retaining as much of its independence as possible as well as the option, should circumstances permit, of reunifying the peninsula under its aegis.
- **A grim variation on this view asserts that North Korea is preparing actively to create and exploit opportunities for mischief in 1986-88.** Seoul considers this period particularly enticing, given the North's penchant for troublemaking, because South Korea's prestige is riding on the success of the 1986 Asian Games and the 1988 Summer Olympics. Some officials in Seoul also hark back

to the early 1970s, the last time the North pursued negotiations and used them to mask a secret military buildup. Today, the North is implementing forward deployment of military forces as it sits down to the table. Moreover, the Chun government has identified the mid-1980s as its time of political transition and liberalization. Under the current constitution, it must guide the changeover to a new president or face the prospect that President Chun will extend his power indefinitely -- both scenarios with elements of instability that the North could want to exploit.

25X1

As the discussion in this paper of our basic assumptions suggests, our "school" interpretation may underestimate the chance for change in P'yongyang's policies. The signs of ferment now evident in North Korea may represent the first limited signals of greater political and economic realism. Are we, for example, seeing the beginning of a period when:

- The North concentrates on economic problems and succession and accepts a "two Koreas" format for the peninsula -- as currently does the South -- and effectively relegates the idea of reunification to second place behind the need to get its own house in order?
- P'yongyang senses that it must find a new middle ground between the United States and China or risk having its political goals put on ice through the 1990s? The stronger US-South Korean relationship and the changes in US-Chinese ties since 1983 have offered virtually no opportunities for P'yongyang so far. With a favorable international spotlight turning on Seoul, economic disparities between North and South becoming more obvious, and the succession drawing nearer,

25X1

Kim Il-song has further reason to look for diplomatic movement now, rather than later in the decade.

While we are not now prepared to answer the questions above affirmatively, we do believe that the North Korean leadership is more keenly aware of domestic problems and more concerned about international isolation than in the past. And, with these concerns as a backdrop, the effort by the North in its dialogue with the South and in seeking contacts with the US, in our view, are initiatives likely to retain some momentum, even in the face of diplomatic setbacks. Moreover, we do not dismiss the possibility that, as circumstances force the leadership to put more emphasis on economic development and contacts with the West, P'yongyang will be led gradually into positions that run counter to the single-minded focus on Korean reunification that has characterized Kim Il-song's rule. That process could give reunification -- and the worrisome threat this represents to Northeast Asian stability -- less prominence in North Korea's calculations.

25X1

If this is the case, it could provide increased opportunities for the United States to encourage the North to reduce tensions further on the peninsula. The potential for change in North Korean behavior also could offer greater latitude for Washington to test Beijing's willingness to take explicit steps to reinforce more moderate North Korean behavior. [redacted]

25X1

SUBJECT: North Korea: Moving in New Directions or Reworking Old Tactics?

25X1

Distribution:

1 - Mr. Michael Armacost, Under Secretary of State for Political Affairs
 1 - Mr. Donald Gregg, Assistant to the Vice President for National Security Affairs
 1 - General Vessey, Chairman, JCS
 1 - Mr. Paul Wolfowitz, State/EAP
 1 - Mr. Richard Burt, State/EUR
 1 - Mr. Richard Armitage, DOD/ISA
 1 - Mr. William Sherman, State/EAP
 1 - Mr. Jim Kelley, DOD/ISA
 1 - Mr. Peter Rodman, Chairman, Policy Planning Staff, State
 1 - Scott Butcher, State/PM (Rm 7470)
 1 - Mr. Gaston Sigur, NSC
 1 - Ms. Harriet Isom, State/EAP/K
 1 - Mr. Donald Anderson, State/EAP/C
 1 - Mr. Thomas Simons, State/EUR/Sov
 1 - Mr. John J. Taylor, State/INR/EAP
 1 - NIO/EA (7E62)
 1 - OEA/NEA/Korea Branch
 1 - OEA/NEA Division
 1 - OEA/China Division
 1 - D/OEA (4F18)
 1 - OEA/Research Director
 1 - SOVA/TWAD/Asia Branch
 1 - D/SOVA
 1 - DDCI
 1 - DDI (7E44)
 1 - Executive Director (7E12)
 1 - NIC/AG
 1 - PDB Staff (7F30)
 1 - CPAS/ILS (7G50)
 5 - CPAS/IMC/CB (7G07)
 4 - OCR/ISG (1H19)
 1 - FBIS/AG
 1 - DDO/C/EA
 1 - DDO/EA
 1 - DDO/EA

25X1

DDI/OEA/NEA/

11 January 1985

25X1